



**human settlements**

Department:  
Human Settlements  
**REPUBLIC OF SOUTH AFRICA**



**THE PRESIDENCY**  
**REPUBLIC OF SOUTH AFRICA**  
**DEPARTMENT: PERFORMANCE MONITORING AND EVALUATION**

**TERMS OF REFERENCE:**  
**DESIGN/IMPLEMENTATION EVALUATION OF THE URBAN SETTLEMENTS**  
**DEVELOPMENT GRANT (USDG)**

January 2013

**National Department of Human Settlements**  
**Chief Directorate Strategy**

## 1. Background

Urbanisation remains a key demographic trend that is shaping development in South Africa. South African urbanisation levels are slightly above the global average with about 60% of the population residing in urban areas. In less than two decades this population is projected to increase to 70%<sup>1</sup>. Owing to this, the importance of urban regions in driving growth and poverty prevention and alleviation is greatly recognized<sup>2</sup> both globally and nationally. Nationally, it is recognised that “cities are engines of growth and an integral part of the solution to the country’s economic, social and environmental challenges”<sup>3</sup>. Cities are increasingly playing a larger role in economic growth, dealing with urban poverty and facilitating improved built environment outcomes, across land management, transport and human settlement sectors: “cities are proven poverty fighters”.

However certain policy and institutional conditions are necessary for cities to address poverty and inequality. The Cities Alliance determine that the ability of cities to become power agents in economic development and poverty alleviation depends on (1) whether policy and institutional conditions liberate or encumber cities potential to create jobs and (2) whether cities’ residents have access to land, housing, education, health care and security<sup>4</sup>. Taking this assertion, it can be argued that South African cities have not been successful in providing majority of urban dwellers with ladders out of poverty. The conditions in cities seem to entrench poverty and inequality. Informal settlements and disadvantageously located government housing developments bare testament to the existence of constraints within South African cities to lead investment that produces inclusive growth and address poverty. Whereas it is recognized that informal settlements play an important role as an accessible and affordable entry point to the city for the poor increasingly these spaces are becoming areas of longer-term residence for the urban poor<sup>5</sup>. Government’s response to informal settlements and other inadequate shelter conditions within large cities has mainly produced mono-functional residential areas that locate the poor far from job opportunities and other amenities. This is because the provision of shelter in South African cities has been somewhat uncoordinated resulting in

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<sup>1</sup> National Planning Commission. (2011). National Development Plan. Pretoria

<sup>2</sup> Cities alliance. (2000). Guide to city development strategies.

<sup>3</sup> South African Cities Network. (2011). The State of Cities report. Johannesburg

<sup>4</sup> Ibid. 2. P13

<sup>5</sup> Ibid 1. P.10

settlements without full access to essential services and citizens denied urbanity. Moreover, public investment in the built environment has tended to focus on the challenges of expanding access to basic services (capital investment and subsidies) and has neglected the key role of land development and the investment in operations and maintenance of existing infrastructure<sup>6</sup>.

In order to strengthen the management of Cities and liberate the ability of cities to manage growth and development in their area of jurisdiction while also playing a key role in human settlements development, Government has undertaken a significant restructuring of funding flows. This explicitly seeks to differentiate Cities from other local sphere of government in order to recognize their specific contexts and needs, while also aiming to improve the performance of local government. Recently, two processes mark government's attempts to advance the performance of Cities in the human settlements front: municipal accreditation and the establishment of the Urban Settlements Development Grant (USDG).

In 2003 Municipal Infrastructure Grant (MIG) was formed from a number of sector specific grants to give municipalities a level of autonomy in choosing municipal infrastructure investment priorities. By 2007 it became clear that a differentiation in funding is needed between Cities and other non-metropolitan municipal jurisdictions. As a result MIG-Cities was established to improve integrated development and funding for the built environment in metropolitan areas. Despite these efforts changing the apartheid spatial pattern and moving towards integration of the poor into full urban citizens in well located and serviced land in large cities has remained a challenge. This realisation necessitated government to relook current funding mechanism particularly for cities. The need for a consolidated grant was first mooted in a presentation to a Special Presidential Coordinating Committee in May 2010; consequently the USDG was introduced in the 2011/12 national budget, parallel to the Accreditation of Metropolitan Municipalities. The USDG is a step in the process to rationalise grant or funding systems for improved efficiency in urban development and management; it is a new grant envisaged to improve the efficiency and coordination of investments in the built environment through:

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<sup>6</sup> National Department of Human Settlements. (2011). Urban Settlement Development Grant policy framework.

- Supplementing large municipalities with direct funding and giving them more control over the selection and pursuit of investment programmes in the built environment;
- Guiding municipal investments in the built environment to produce better performing human settlements that contribute to a more compact city form as envisioned in outcome 8

The USDG is not a replacement of Municipalities' own revenues or the Human Settlements Development Grant but is a Division of Revenue Act (DORA) Schedule 4 Grant: a direct allocation to Municipalities to supplement the funding of functions funded by the Municipal budget. The grant is intended to "support the expanded production of serviced land by cities particularly for poor households through Greenfield development, brownfield re-development and informal settlements upgrading"<sup>7</sup>. It is a funding instrument established in recognition that dedicated infrastructure and land development funding is required to trigger sustainable human settlements development and address informal settlements in major urban centres in the country. Thus the performance of the grant is measured on the performance of the built environment and specific human settlements outcomes i.e. increased availability of serviced urban land parcel; increased access to suitable shelter; increased average densities in cities and increased security of tenure<sup>8</sup>. The grant rightfully places planning for human settlements (particularly for the poor) as a function to be carried out at municipal level. It seeks to support the development of sustainable human settlements and improved quality of life for households through accelerated production of serviced land in the right location with secure tenure for low income household by supplementing municipal resources. Overall the USDG aims to create "a more compact and efficient urban built environment where the balance between economic growth and development and poverty alleviation must directly reduce the inequities that burden the urban poor and simultaneously support growth in economic productivity and job creation". The Grant thus has a dual purpose (economic growth and poverty alleviation) and it is important to assess the performance of both these objectives as well as the question of whether having two objectives is appropriate.

The implementation of the USDG followed shortly after the announcement of the grant in the Minister's Budget Vote of 2011/12. In the first year of its implementation, USDG was adopted in 8 Metros; City of Johannesburg, Nelson Mandela Metropolitan, City of

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<sup>7</sup> National Treasury. (2012). City Support Programme framework Document.

<sup>8</sup> Division of revenue bill. (2011). P167

Tshwane, Ekurhuleni Metro, eThekweni Metro, Buffalo City, Mangaung and City of Cape Town; with the future plan to roll out the grant to secondary towns. Participating Metros have to prepare multiyear performance targets which must be agreed upon with the Department of Human Settlements (NDHS). Since the USDG is a conditional grant transfers to Municipalities are done when the Municipality satisfies the criteria set out in the grant policy framework and non compliance with the grant framework can result in the funds being withheld or re-allocated<sup>9</sup>.

With the USDG being a direct transfer to Metros the role of Provinces in the management of the USDG is minimal, with Provinces expected only to promote and coordinate planning, funding and implementation of human settlements and built environment programmes with Municipalities. On the other hand the NDHS is responsible for transferring and managing the USDG funds; monitoring municipal performance on financial, non-financial and control systems related to the grant and providing support to Municipalities with regards to human settlement delivery. Administratively, the NDHS needs to facilitate strategic planning, funding and implementation interaction between national, province and accredited Municipalities and convene an evaluation committee that assess the built environment plans. The metros that have been chosen for this evaluation make up the bulk of the USDG allocation and thus are ideal participants for the assessment of the grant.

### **1.1. Purpose of the Evaluation**

It is recognised that with the grant having been implemented only for a year it is too early to determine its impact in the built environment and households' quality of life. Nonetheless, the USDG presents a shift in funding processes for human settlements towards direct transfer from National to Municipalities; it is an innovative response to some of the challenges that have confronted the housing programme in the country. As a result it is essential that the grant design and theory of change be subjected to rigorous testing in the inception year.

Thus the purpose of the evaluation is to analyse the theory of change, inner logic and consistency of the programme and the lessons from its implementation. The evaluation will also examine institutional and funding frameworks including the adopted monitoring system.

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<sup>9</sup> Ibid (2011)

## **2. Evaluation questions**

The evaluation must respond to the following broad questions:

### Historical context

- 2.1. What informed the theoretical framework and development of the USDG?
- 2.2. What are the factors that informed the transition from MIG-City to USDG?

### Conceptualisation and design

- 2.3. Is the theoretical framework that informs the USDG valid and does it provide an appropriate response to human settlements challenges facing urban areas?
  - 2.3.1. Is the grant structure appropriately targeted, given its dual objective to respond to human settlements issues in the urban context?
  - 2.3.2. Is the direct transfer of funds to municipalities the suitable solution to the challenges of creating efficient urban spaces?
  - 2.3.3. How is the creation of the USDG linked to the housing function and its integration into human settlements development at local level?
  - 2.3.4. Analyse the different versions of the policy framework over time and what influenced the revisions to it.

### Implementation mechanism

- 2.4. How has the USDG been interpreted at national, provincial and municipal levels?
- 2.5. Is the grant being implemented according to the design?
- 2.6. To what extent has the USDG through the Built Environment Performance Plans found its place within the suite of the development-planning framework (such as Business Plans, Integrated Development Plans (IDPs), Housing Sector Plans, Annual Performance Plans, the Service Delivery Budget Implementation Plans)? Do these planning instruments talk to one another across national, provincial and local departments involved in the implementation of the USDG?
- 2.7. As the USDG is being implemented, what are the important challenges/changes that are occurring in terms of the roles and

- responsibilities of the relevant actors? How is this affecting programme delivery?
- 2.8. Are resources used efficiently? Is value for money obtained?
  - 2.9. How does the USDG interface with the municipal accreditation process and the City Support Programme?
  - 2.10. What are the institutional issues/gaps that are coming to light as this programme is being implemented and how is it affecting delivery of the USDG?

#### Institutional and Funding Framework

- 2.11. Analyse the legal framework and policy shifts within which the USDG is being implemented: does it support or encumber the intentions of the grant?
- 2.12. How could the structure of the grant and its application be improved and strengthened?

#### Monitoring Framework

- 2.13. Are the performance indicators (as specified in the grant framework) for the USDG suitable for its stated policy purpose and how is it captured in the performance monitoring frameworks of the various spheres of government?
- 2.14. Analyse the extent to which the departmental monitoring frameworks have been revised to track performance (physical and financial) of the USDG. Also reflect on the relationship between the current planning and monitoring frameworks that relate to the USDG.

### **3. Scope of the Evaluation**

Specifically the brief calls for the following:

- 3.1. Comparative study of responses to the USDG by three provinces Gauteng, Western Cape and Eastern Cape and four Metros' (Ekurhuleni, Johannesburg, City of Cape Town and Buffalo City).
- 3.2. An appraisal of whether the USDG is implemented according to its design in these metros and the implication of this for the grant design and ability of the grant to achieve its outcomes.
- 3.3. An assessment of cities' ability to structure responsive BEPPs (submissions and appraisals by the NDHS and National Treasury), their ability to deal with HR needs and capacity demands of the grant, their ability to set up

- programme and project plans, and to engage the National Department and Housing DFI's (agencies) to support their intentions.
- 3.4. An assessment of the institutional arrangements, relationships or partnerships that have been triggered by USDG between different cities and, between cities, provinces and National Departments and between cities and other partners;
  - 3.5. An appraisal of how the USDG and the BEPP interface with other planning instruments, i.e. the HSDG, City budget process, Housing Sector Plans, IDP processes, Provincial business plans, evaluation frameworks, city support programme, transport planning, etc;
  - 3.6. An analysis of the role of key National departments, provinces and cities in the implementation of the USDG.

#### **4. Expected deliverables**

##### **4.1. The deliverables of this project are as follows:**

- 4.1.1. Inception report and project plan;
- 4.1.2. Research protocol and data collection instruments;
- 4.1.3. Four research reports from the four metros (metros used as a unit of analysis);
- 4.1.4. An overall analytical report, which provides an analysis of the four research reports on the Metros. This report must respond to the key evaluation questions and scope of work (*in sections 2 & 3*) both vertically and horizontally. The report should contain (though not limited to) the following: an executive summary ( $\pm 3$  pages), comprehensive literature review (**from empirical research not only government or reports within the researching organisation**), theoretical or analytical framework, methodology, analysis of findings, and key recommendations;
- 4.1.5. Policy brief;
- 4.1.6. Summary of the report ( $\pm 25$  pages); and
- 4.1.7. PowerPoint presentation of the project design, key findings and recommendations. In addition, a PowerPoint presentations of each Metro report.



#### 4.2. **Quality of the deliverables**

- 4.2.1. It is expected that all outputs should be delivered in a manner that shows a high degree of professionalism and good report writing skills;
- 4.2.2. The service provider should be able to illustrate a process that will be rigorous and stand up to academic scrutiny. The report should include a clear theoretical framework or reference to the theory that informed the analysis. The connection between theory and analysis should be clear throughout the report. The methodological process outlined in the research report should reflect the credibility of the research, the relationship between the theoretical framework, the information sources used, the analysis, the validation of the findings, relevance and transferability of the findings for policy.
- 4.2.3. All documents must be language edited.
- 4.2.4. The final reports should be submitted in three (3) Compact Disks and 3 bound copies printed in colour. The document should be written in 12 pts Arial, 1½ spacing, justified and in both PDF and MS Word formats. No branding of the service provider would be allowed in any of the documents submitted

### 5. **Evaluation design**

#### 5.1. **Methodology and approach**

This study is aimed at developing new insights and understanding of the USDG. It is envisaged that the service provider will adopt **mixed method research approach** to respond to the scope of work and research questions. This means that both qualitative and quantitative tools should be used. The service provider should therefore indicate how the research tools would be utilised in responding to the research questions and scope of work. This means the proposal should include a research protocol.

- 5.2. **Sample:** Four Metros' (Ekurhuleni, Johannesburg, City of Cape Town and Buffalo City; three provinces Gauteng, Western Cape and Eastern Cape; and key informants from relevant national department e.g. DHS, Treasury, etc.

- 5.3. **Document analysis,** the following documents are considered key and must be analysed in this evaluation:

- 5.3.1. **Policy documents:** the Housing Act of 1997, the housing code, the various USDG drafts of the policy framework and the municipal finance

management act (MFMA). Also look at the various iterations of the draft framework.

- 5.3.2. **National documents:** National Planning Commission (NPC) documents, National Treasury benchmarking reports, the National Department of Human Settlements' report on BEPPs, Spatial Planning and Land Use Management Bill (SPLUMB), Grant framework, Transport policies, Presidential Infrastructure Coordinating Commission, Integrated Development Plans (IDPs), accreditation frameworks and reports, state of city finance reports
- 5.3.3. **Planning documents:** BEPPs, Cities' budgets, Grant framework, Growth and Development Strategies, spatial development frameworks, self assessments done by the metros, city budget and support frameworks
- 5.3.4. **Reports:** Quarterly reports, Auditor General reports
- 5.3.5. **Any other relevant document.**
- 5.4. **Interviews** with key stakeholders/officials involved in the development of the USDG from National, Provincial and Metropolitan levels and all key external stakeholders.
- 5.5. **The proposal should also include any other relevant research tools and methods that respond to the key research questions and scope of work. The relevancy of the specific research tool and or method to the research questions and scope of work should be specified.**
- 5.6. **In the final report:** The service provider should clearly indicate the data gathering methods used (this should be backed up by literature on research methodologies), the analysis and interpretation and how findings were tested and validated to arrive at the final conclusions and recommendations.
- 5.7. **Guiding principles and values**
  - 5.7.1. The evaluation should be development-orientated and should address key developmental priorities of Government and of citizens.
  - 5.7.2. The evaluation should be undertaken ethically and with integrity.
  - 5.7.3. The evaluation should be utilisation orientated.
  - 5.7.4. The evaluation methods should be sound.
  - 5.7.5. The evaluation should advance Government's transparency and accountability.

- 5.7.6. The evaluation must be undertaken in a manner which is inclusive and participatory.
- 5.7.7. The evaluation must promote learning.
- 5.7.8. Evaluators must display honesty and integrity in their own behaviour and should ensure the integrity of the entire evaluation process.
- 5.7.9. The evaluation is expected to build the capacity of previously disadvantaged individuals (evaluators and researchers), as well as providing all the data in a usable format.

## 6. Project plan and payment

### 6.1. Project plan

This project should be completed within **eight months (32 weeks)** after the service provider has been appointed.

**Table 3: Outline project plan**

Activity/deliverable	Who	By when
Inception meeting	Dept/Service provider (SP)	1 week after receiving Confirmation of appointment
Service provider contract signed	Dept/Service provider (SP)	1 week after receiving Confirmation of appointment
Inception report, a revised project plan, a revised research protocol and data gathering instruments	SP	3 weeks after signing the contract
Draft Metro 1 report and PowerPoint presentation	SP	8 Weeks after the approval of the inception components
Comments of draft Metro 1 report	DHS and Stakeholders	1 Week after submission
Draft Metro 2, 3, 4 Reports and PowerPoint presentation	SP	15 Weeks after the approval of the inception components
Comments on Metro 2, 3, 4 Reports	SP	2 Weeks after submission
Validation workshops	DHS and SP	On approval of draft Metro Reports
Submission of comments to SP	DHS	1 week after the workshops

Activity/deliverable	Who	By when
Draft Overall report with all the required components	SP	18 weeks after the approval of the inception components
Workshop with stakeholders on draft report	Dept and SP	2 weeks after receiving the draft report
Peer reviewers submit reviewed draft report	Peer reviewers	3 weeks after receiving the report
Comments from Peer Reviewers and Stakeholders	DHS	1 week after workshop and peer reviewer reports
Final report submitted to Dept	SP	2 weeks after receiving inputs
Comments on final report	Peer reviewers and steering committee	2 weeks after receiving final report
Final data and report submitted	SP	1 weeks after receiving comments

## 6.2. Budget and payment schedule

Payment for the delivery of the work will be conducted in the following manner:

6.2.1. **20% of the total amount** shall be paid upon the **submission and approval** inception report, a revised project plan, a revised research protocol and data gathering instruments. The inception report should include a literature review, an analysis of the USDG, specified documents and methodologies for the primary research aspect of the evaluation.

6.2.2. **30% of the total amount** shall be paid upon the **submission and approval** of the draft analytical report and four metro programme evaluation reports. In every respect the submission should represent the final report (**see section 4**)

6.2.2.1. An overall analytical report, which provides and analysis of the four research reports on the Metros. This report must respond to the key evaluation questions and scope of work (*in sections 2 & 3*) both vertically and horizontally. The report should contain (though not limited to) the following: an executive summary ( $\pm$  3 pages), comprehensive literature

review (**from empirical research not only government or reports within the researching organisation**), theoretical or analytical framework, methodology, analysis of findings, and key recommendations;

6.2.2.2. Policy brief;

6.2.2.3. Summary of the report ( $\pm$  25 pages); and

6.2.2.4. PowerPoint presentation of the project design, key findings and recommendations. PowerPoint presentations of each case study.

6.2.3. **50% of the total amount** shall be payable upon the **approval and acceptance of the final report**.

## **7. Management arrangements**

### **7.1. Project management**

7.1.1. The National Department of Human Settlements (DHS) in conjunction with the Department of Performance Monitoring and Evaluation (DPME) will manage the project. However the service provider shall account to DHS.

7.1.2. The service provider will be expected to present the inception report, draft report and final report for their comments and inputs to the evaluation steering committee, which comprise of DHS, DPME and other relevant stakeholders.

7.1.3. The Service Provider will submit monthly (or when requested) progress reports to the project manager at the DHS. All communication between the Service Provider and the Departments shall be made through the project manager.

### **7.2. Reporting arrangements**

7.2.1. Monthly progress report should be submitted to the Project Manager in the DHS indicating the key developments in the time period reported on, future activity schedule, and obstacle if any that are being encountered together with the suggested solutions to the challenges.

In addition, the service provider might be required to attend progress report meetings.

- 7.2.2. It would be expected that any urgent matters that affect the service provider's ability to meet the deadlines should be brought to the attention of the Project Manager immediately.

## **8. Expectations of the service provider**

### **8.1. Qualification criteria**

The project requires programme evaluators/researchers with high level skills and knowledge in the following:

- 8.2. Planning; urban studies, local government finance
- 8.3. The housing programme; infrastructure and land development
- 8.4. A good knowledge of evaluation methodologies, and experience in applying them. This would be required in relation to
  - 8.4.1. Quantitative and qualitative research
  - 8.4.2. Policy analysis and policy evaluation
- 8.5. Strong project management skills, including field coordination and implementation where needed;
- 8.6. Knowledge of and exposure to international good practice would be an advantage, particularly in middle-income and African countries.

### **8.7. Evaluation criteria**

- 8.7.1. The evaluation of the proposals submitted to the Department will follow a two-step process. In the first step, all proposals will be evaluated on functionalities and capabilities. In the second step, only qualifying proposals will be evaluated on the 90/10-preference point system.
- 8.7.2. The functionalities and capabilities will be evaluated as follows:

Criteria	Sub Criteria	Sub points	Total points
Research team expertise	At least 90% of the team comprises of a combination of skills including Social scientists, Economists, and professionals in the Built Environment at Masters and PHD Levels	15	15
	At least 90% of the team comprises of a combination of skills including Social scientists, Economists, and professionals in the Built Environment at Honours and Master Levels	10	
	At least 90% of the team comprises of a combination of skills including Social scientists, Economists, and professionals in the Built Environment only at Honours Level	5	
Experience of the team leader in social/ economic and human settlements research	<b>Years in the field:</b> 15 or more years experience	25	25
	Between ten (10) and fourteen (14) years of experience	20	
	Between six (06) and nine (09) years of experience	15	
	Between three (3) and five (5) years experience	10	
Delivery of similar assignments <sup>10</sup>	Delivery of 10 or more similar assignments	10	10
	Delivery of between seven (7) and nine (9) and similar assignments	7	
	Delivery of between four (4) and six (6) similar assignments	4	

<sup>10</sup>Please provide a list of projects, stating the name of the client and contact person for reference

Criteria	Sub Criteria	Sub points	Total points
	Delivery of between two (2) and three (3)	1	
Understanding of the scope of work	• <b>Project plan</b> with milestones and timeframes	10	<b>50</b>
	• <b>Methodology:</b> Detailed empirical methodology using literature to support the choice of methodological approach	15	
	• <b>Design:</b> explain how you will respond to the research questions and scope of work e.g. sampling, tools, etc.	15	
	• <b>Research protocol:</b> indicate how you will respond to each research question, sources of information and tools	10	
Overall total			<b>100</b>

8.7.3. A service provider who submits a proposal that scores less than 70 out of 100 points would be considered having submitted a non-responsive proposal and will be disqualified.

8.7.4. The Department reserves the right to shortlist an acceptable number of candidates who might be requested to make a presentation before appointing a service provider based on the above criteria.

**8.7.5. No service provider is allowed to score themselves on the submitted documents.**

## 9. General Conditions

9.1. The tender will be valid for a period of 90 days. The prices quoted in the tender remain applicable unless and until the national DHS is notified to the contrary by the service provider;

9.2. The service provider must furnish the following information as comprehensively as possible:



- Full details of the service provider
  - head office address and email
  - telephone and fax numbers
- level of technical competency
- company profile
- full details of the individuals to be involved, their expertise, track record and roles in the assignment;
- A detailed cost breakdown of the tender prices. Preference will be given to fixed price contracts linked to clearly identifiable deliverables;
- clearly defined milestones, correlating to the sections outlined in this invitation; and
- A detailed explanation of the process to be followed to provide the required service.

9.3. The successful service provider would be expected to submit a detailed project proposal indicating methodologies to be employed and work break down schedule, which will be presented to the DHS within twenty-one (21) days after appointment.

9.4. The successful service provider would be expected to sign a service level agreement; both the service level agreement and the terms of reference will be equally binding in the administration and management of the project.

## **10. Copyright**

10.1. The copyright of all data collected and the final report to be delivered by the service provider will rest with the Department of Human settlements.

10.2. The service provider will not publish (including presentation to conferences and all other forums), whether in part or whole, the submitted report without the written permission of the DHS.

## **11. Enquiries**

11.1. Enquiries regarding of the ToRs should be directed to Ms Thembela Gxavu at 012 444 5089 or [thembela.gxavu@dhs.gov.za](mailto:thembela.gxavu@dhs.gov.za) and Ms Matodzi Amisi at 012 421 1746 or [matodzi.amasi@dhs.gov.za](mailto:matodzi.amasi@dhs.gov.za)